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CHINA LIGHTS

Report No. 186, January 16, 1991

EXCISE

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- II. China/Korea: Cautious Prodding
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- IV. Chinese Treatment of Dissident Families
- V. The SEZ Decennial - A Year of Living Dangerously

I. CHINA: RESPONSE TO A GULF WAR

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II. CHINA/KOREA: CAUTIOUS PRODDING

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Beijing, now in the midst of trials of at least several dozen participants in the 1989 protests, appears to be moving rapidly from less to more serious cases. Beijing probably believes the recent release of a number of dissidents, along with highlighting "lenient" sentences and limiting severe punishment to a relatively small number of "ringleaders," will lessen foreign criticism. . It may also hope the Gulf crisis will distract foreign attention. The process, expected to be largely completed by mid-February, could culminate in some form of public accounting.

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the end of February, according to an often well-informed Hong Kong newspaper. Beijing appears to be trying to wrap up remaining cases before the traditional Chinese New Year holiday and in time to allow a resumption of high-level US visits later this year.

One hand giveth . . . Authorities in recent weeks have quietly released a number of protesters and dissidents, including six in Ningxia province who "confessed" to counterrevolutionary behavior and were released without additional punishment. Several prominent Beijing intellectuals who supported the protests have also been released.

On January 5, ten people were convicted in the first round of trials: one received a four-year prison sentence, two were "exempted" from punishment, and the others got two- or three-year terms. With time already served to be counted against sentences, most will be out within 18 months. Moreover, official accounts did not characterize their offenses as "counterrevolutionary."

. . . the other taketh away A second round of trials, on January 8 and 9, suggests Beijing is moving rapidly toward handling more serious cases. Those tried in this round included veteran activist Ren Wandong, who served several years in prison for participating in the 1978-79 Democracy Wall movement, and at least four others. No sentences have yet been announced, but the four--including a Beijing University student--are charged with "counterrevolutionary sabotage," an offense that carries a sentence of 3-10 years and can result in life sentences in "serious" cases.

According to a Hong Kong press account, 16 "ringleaders"--mainly intellectuals and students--will soon be tried and sentenced to long prison terms.

Beijing's calculus State Council spokesman Yuan Mu [REDACTED] recently told a television interviewer: "I hate to mention the June 4 event and hope we will put it behind us gradually"--a sentiment probably shared by most leaders.

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The Gulf crisis has given China an opportunity to refurbish its international image: officials may hope it will also provide cover for trials of dissidents. Cases against former politicians, however, apparently remain unresolved, including charges against two close confidants of ousted party chief Zhao Ziyang and a "final" verdict on Zhao himself. After the trials Beijing may make some kind of public accounting, similar to its announcements in 1990 of the number of detainees released and underscoring the regime's "leniency." (CClarke) (CONFIDENTIAL)

IV. CHINESE TREATMENT OF DISSIDENT FAMILIES

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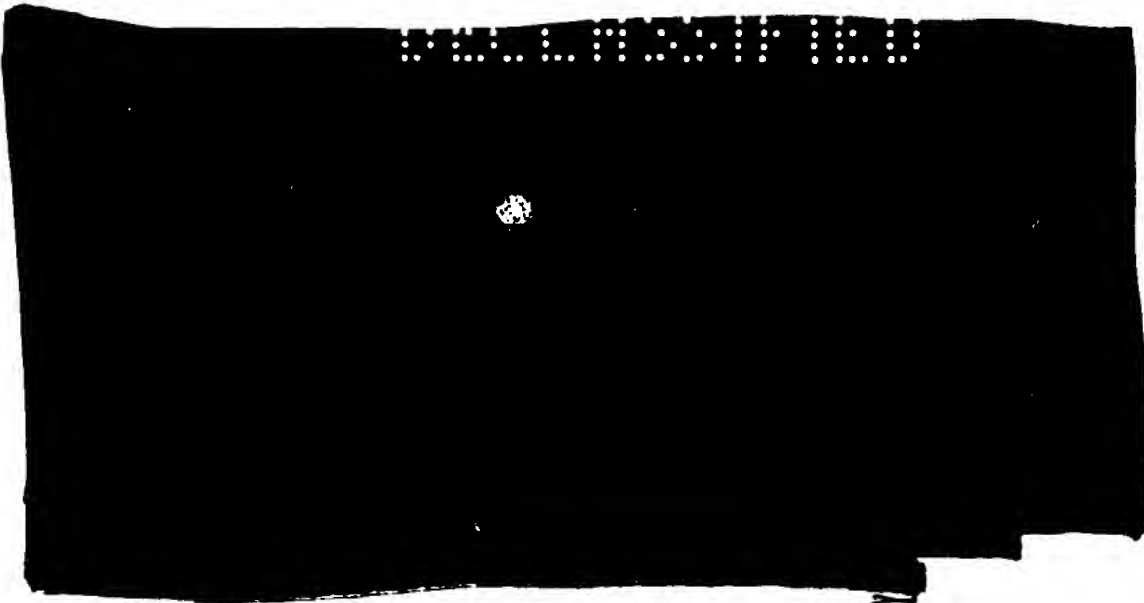
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V. THE SEZ DECENNIAL - A YEAR OF LIVING DANGEROUSLY

Reformers and supporters of the Special Economic Zones appear to have beaten back a serious attempt by hardliners to drastically curtail the special privileges of the SEZs. Corruption scandals and Shenzhen's attempts to grasp greater political autonomy appear to have given hardliners their opening, delaying plans for the decennial celebration of the SEZs' founding from August until late November. Deng's intervention appears to have been critical in rebuffing the attack.

A reexamination of the evidence concerning several key meetings and anniversaries related to China's policy on Special Economic Zones indicates that the SEZs were under heavy attack in late summer and fall 1990. The first signs of trouble appeared as early as a work conference in February: Premier Li Peng attended, surprisingly endorsed the SEZs

 Stories also began to circulate about a brewing scandal revolving around Shenzhen's infant stock market. Shortly thereafter, in April, the controversial liberal party Secretary/Mayor Li Hao lost his mayoral post to an outsider, Zheng Liangyu, a former municipal official from Xuzhou, Jiangsu.

Pressure from planners. Although strong protest by SEZ leaders and their supporters beat back [REDACTED] effort to retract authority from the Zones, pressure seems to have continued to build for revision of the SEZ policy as planners wrestled with drafting the eighth five-year plan. Party chief Jiang Zemin gave a speech on June 19 to the Shantou party committee in which he vigorously defended such controversial SEZ policies as leasing land to foreigners ("not an act of betrayal to one's country"). He assured his listeners that the SEZ policy was correct and had the support of Beijing, and claimed pride of place as "one of the founders" of the SEZs. In July, the State Planning Commission--then in the process of drafting the eighth five-year plan--reportedly anticipated no changes in the SEZs' preferential policies during the next five years. 21

School for scandal. During the summer, the Shenzhen leadership may have handed their opponents a sword. Black market stock trading became rampant, with heavy involvement in profiteering by city officials. This probably came to the attention of central officials and an investigation likely got under way. This may explain the very low-key official commemoration of the actual tenth anniversary of the SEZs' founding in August and the postponement of the official gala. A desire to avoid Guangdong's hot season, upstaging the upcoming Asian Games, or disrupting preparations for an expected fall party plenum may have been contributory reasons for not holding a commemorative gala, but they are not persuasive explanations. The Asian Games, for example, were scheduled for more than a month after the SEZ decennial and the plenum was not expected to occur until at least early October.

Political pretensions. Shenzhen's increasing political assertiveness may have been the principal underlying cause of the hardliners' stepped-up attacks on the SEZ policy. Shekou, for example, was proceeding with plans to hold a quasi-democratic people's congress election which would elect, by secret ballot, seven of eleven members of the new management board of the Shekou Industrial Zone Company. The election took place on October 30. This experiment received no press play outside the enclave, however, and Shekou officials were anxious that foreign observers not widely publicize the election lest it draw Beijing's wrath [REDACTED] 31

At the same time, Shenzhen officials had renewed pressure to be allowed to expand the SEZ's bonded zone to encompass all of Shenzhen, a step that would have signified greater autonomy from Guangdong and closer ties to Hong Kong. Shenzhen officials had also revived their campaign to be allowed to establish a separate currency for the Zone. These efforts to pull further away from Beijing's control both economically and politically, in conjunction with the growing stock scandal, may have been the final straw for hardliners.



A tense autumn. Hardliners appear to have stepped up their attacks on the SEZs--especially Shenzhen--during the fall as part of a more general attack on reform. They may have been emboldened by Deng Xiaoping's reportedly weakened physical condition

[REDACTED]

[REDACTED] summoned Shenzhen party chief Li Hao--an ardent reformist--to Beijing, apparently to face accusations that he had mismanaged Shenzhen's stock market and reaped extraordinary personal gain by speculating. Shortly after his return to Shenzhen, Li Hao made a "personal" donation of 1.5 million yuan to charity, according to a well-connected Hong Kong newspaper. [REDACTED] three Shenzhen vice mayors and a number of other city officials were also implicated in the scandal. An investigation of virtually the entire top leadership of Xiamen--Fujian's SEZ--may have been similarly motivated and timed by hardliners as part of their effort to steamroll over provincial opponents of the their effort to recentralize control over the economy in the eighth five-year plan.

Deng protects his legacy. Deng [REDACTED] reportedly strongly opposed the hardliners' proposal to retract authority from the SEZs.

[REDACTED]

Although Deng may have felt his health was too precarious to attend, it is possible that he did not want to risk tarnishing his image by attending a function in Shenzhen just as the stock scandal was about to break into the open. On November 23, Deng talked with Yang and Jiang Zemin before they set off for the SEZ celebration, according to Hong Kong press. He not only reaffirmed his support for the SEZs, but said that there is a need for "several additional SEZs" and that "great efforts should be exerted to make the SEZs really special."

A strange celebration. This tangled history helps explain the strange anomalies in the official celebrations in late November. Although Shenzhen is the most developed of the SEZs and held the first official commemorative function, the only top leader to show up was party chief Jiang Zemin. He gave a strongly supportive speech, again stressing his personal identification with the policy. Premier Li Peng boycotted the celebration

[REDACTED]

In contrast to the planned gala in Shenzhen, the less developed--and far less controversial--Zhuhai SEZ was expecting to hold a low-key celebration, and had not even completed planning its schedule of events until about 48 hours before the commemoration was to take place. [REDACTED]

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However, city officials apparently were informed at the last minute that a number of top leaders--including Jiang and Yang Shangkun--would be attending. The conclusion that the principal celebration was moved at the last minute to avoid any taint from the Shenzhen scandal is bolstered by the fact that Deng sent a commemorative inscription to Zhuhai, but gave no public recognition to Shenzhen.

Back to normal? By year's end, things appeared to have returned to "normal" in Shenzhen, although a number of political figures apparently remain under a cloud. Shekou czar Yuan Geng has been reassigned to a prestigious new position in Hong Kong, the Shenzhen people's congress held its first plenary session, [REDACTED] party chief Li Hou was reelected to a second term, and the SEZs received re-endorsement from the seventh plenum. In addition, despite reported objections by hardliners in Beijing, Shenzhen's centralized stock market (China's first) opened in early December. At the same time, Shenzhen has lost some of its unique privileges, including its highly advantageous foreign exchange retention rate. Shenzhen remains a highly controversial "experiment," and hardliners are likely to renew their attacks when new opportunities present themselves. (SECRET/NOFORN/NOCONTRACT/ORCON/EXDIS) (CClarke)

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